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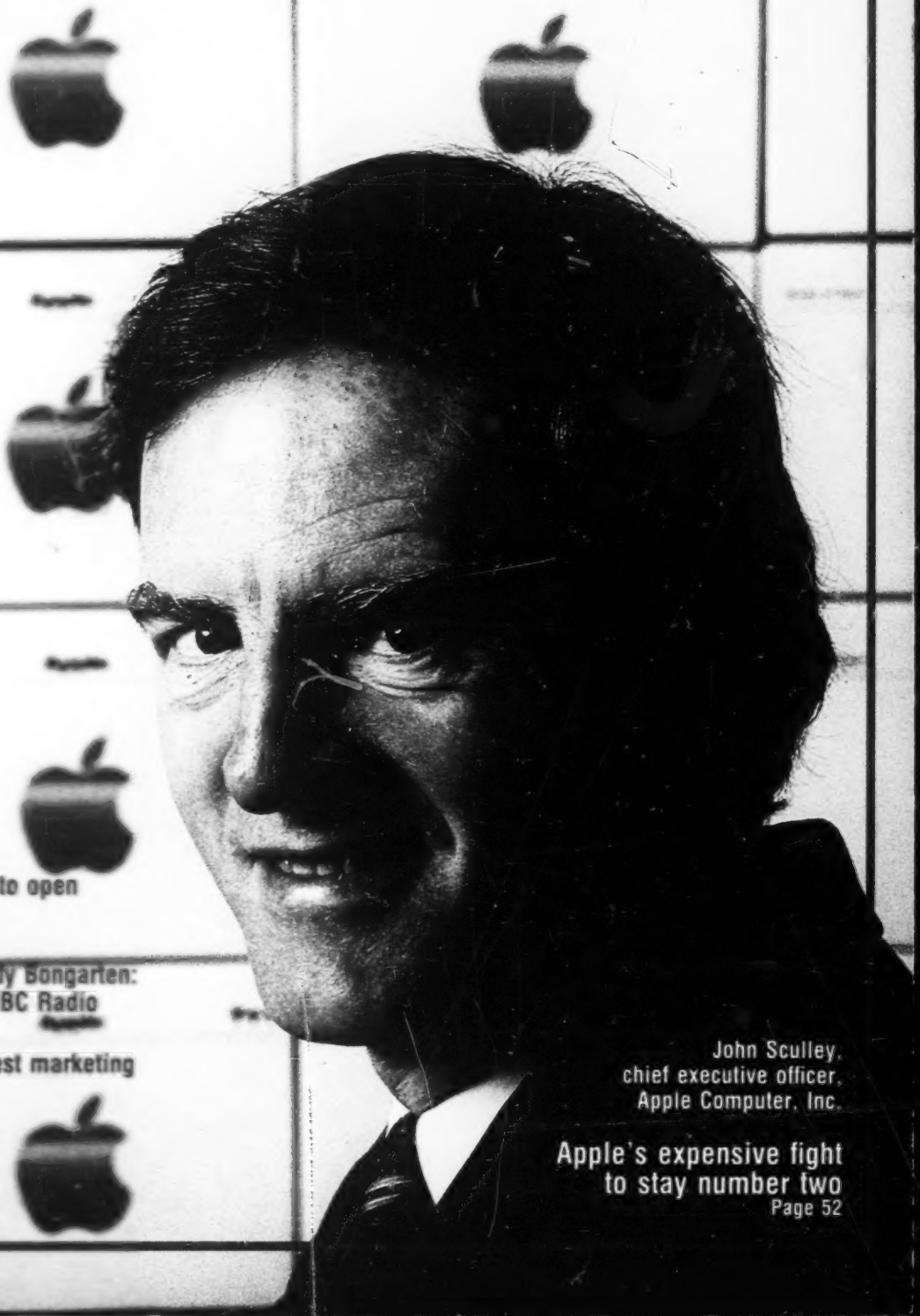

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FUTURES

Selling business information to U.S. business

The first report on the business information industry — with annual revenues of $11 billion — tracks trends in demand for different forms of information. Cox, Lloyd Associates, the New York-based marketing consultant firm that prepared the report, categorizes suppliers of information according to type, including customer information, new products, and marketing data.

Company president, Connie Cox, notes that the information industry, despite an average growth rate of 10%, has been largely overlooked: "Industry experts have traditionally viewed it from the point of view of published trade periodicals or data basis, and not from the point of view of specific types of information being bought by businesses." She adds that the types of information vary so much from business to business, that generalizations tend to be misleading.

"There are very few large spenders — in fact, we've found that there are pockets of demand," she says. The food industry, according to Cox, is the largest buyer of external data, spending about $1.7 billion a year on market statistics and consumer behavior information.

The second largest industry, investment banking, put down $1.4 billion — compared with the minimal $20 million invested by the airline industry.

One of the most interesting aspects of the 300-page report, stresses Cox, is the growing demand for information — a demand that was nearly non-existant ten years ago.

"We've looked at why people need this kind of information, and are willing to spend a lot of money for it: it's become more difficult to see opportunities for growth."

Information sold to U.S. businesses

1983 expenditures and growth by category of information

Information category	1983 estimated expenditures (Millions)	1982-83 growth rates overall	variations
Customer Information	$4,650	15%	12-17%
News Products	2,812	10	4-15
Product Information	1,045	14	6-17
Market Statistics/ Market Share Data	845	13	12-15
General Reference Data	570	8	5-11
Environmental Data	161	8	7-15
Employee-Related Data	25	9	7-15
Miscellaneous	392	9	

Beauty aid sales growth

Shampoos and deodorants are largely responsible for spurring sales of beauty aides 10% through mass market outlets, to a $5.5 million segment, according to a report by *Mass Market Retailers*. Food retailers — combination food-drug retailers and supermarkets — sell almost 50% of beauty aids, or $2.7 billion dollars. Chain drug stores, though, have seen their share erode to 31.3% or $1.72 billion.

The study tracked 12 categories: shampoos, deodorants, conditioners, razors and blades, hair sprays, hair colorings, creams and lotions, shaving cream, home perms, men's hair preparations, suntan products, and sunscreens. Much of the the growth of the shampoo category, which jumped 8%, can be attributed to some highly successful introductions, such as Procter & Gamble's Ivory. P&G widened the lead with an 18.6% market share, with Revlon (8.5%) and Helene Curtis (6.7%) a distant second and third.

"Private phone companies"

Telecommunications equipment preinstalled in office buildings will create "private phone companies," worth more than $1 billion within the next five years, according to a study by Cambridge-based Arthur D. Little, the management consulting firm. Equipment sales to real estate developers, seeking to create private networks within offices, will exceed $300 million by the end of 1984.

Developers are spurring this growth, according to Donald Schlosser, a telecommunications specialist, in order to "enhance their buildings" by offering tenants discount telephone service, share private brand exchanges (PBXs), and similar services.

Michael Okamoto

Mining those local ad nuggets

A new trend toward local cable advertising is already boosting top MSO profit margins and offering local merchants low cost tv exposure. But many agencies await local viewership data before taking the local ad plunge.

When Bob Westall tallies up monthly car sales at his suburban Virginia dealership, a smile as wide as the territory covered by local cable systems' wires crosses his face. "Cable is responsible for history-making profits at Calvert Toyota," he declares.

Westall discovered local cable advertising when, in June, 1982, he invested $3,200 for 96, 30-second spots on *USA*, *CNN* and *ESPN* on Arlington Metro Cable and Alexandria Cablevision. "I figured cable targeted my customers, and, anyway, it was megatimes cheaper than broadcast tv," recalls the dealership manager.

Westall's investment paid off immediately. By the end of the first month of advertising on cable, Calvert Toyota had sold 100 cars — a 30-day high achieved only twice before in the deal-

SURVEY OF LOCAL AD SALES BY THE TOP 15 MAJOR CABLE OPERATORS 1983-1984

Company (rank) [% Ad Subs*]	1983 Local Ad Revenue	1984 Proj. Ad Revenue	% Change	1983 Subs in Ad Systems	1984 Proj. Subs in Ad Systems	% Change	1983 Ad $/Sub/ Year	1984 Proj. Ad $/Sub/Year	% Change
	(000)	(000)		(000)	(000)				
Tele-Communications (1) [4%]	$1,000	$ 2,500	+150%	100	150	+ 50%	$10.00	$16.67	+ 67%
ATC (2) [21%]	3,000–E	6,000–E	+100	500	750	+ 50	6.00–E	8.00	+ 33
Group W (3) [47%]	4,500	10,000	+122	920	1,000	+ 9	4.89	10.00	+105
Cox (4) [84%]	5,200	9,000	+ 73	1,200	1,300	+ 8	4.33	6.92	+ 60
Storer (5) [18%]	250–E	750–E	+200	250	325	+ 30	1.00–E	2.30–E	+130
Warner Amex (6) [48%]	4,000–E	8,000–E	+100	650–E	750–E	+ 15	6.15–E	10.67–E	+ 74
Newhouse (8) [53%]	535	1,475	+175	427	517	+ 21	1.25	2.85	+128
Continental (9) [47%]	1,500	2,500	+ 67	350	500	+ 43	4.29	5.00	+ 17
Viacom (10) [49%]	1,500–E	2,100–E	+ 40	380–E	525–E	+ 38	3.95	4.00	+ 1
United Cable TV (11) [58%]	1,700	2,750	+ 62	357	450	+ 26	4.76	6.11	+ 28
Rogers Cable (13) [68%]	845	1,963	+132	332	430	+ 30	2.55	4.57	+ 79
TeleCable (14) [17%]	160–A	1,000	+525	66	185	+180	2.42–A	5.41	+150
Cablevision Systems (15) [93%]	2,330	3,420	+ 47	378	445	+ 34	6.16	7.69	+ 25
Heritage (16) [34%]	380	550	+ 45	125	135	+ 8	3.04	4.07	+ 33
United Artists (18) [89%]	486	750	+ 54	300	330	+ 10	1.62	2.27	+ 40

E–PKA estimate; [% Ad Subs*] – 1983 ad subs as % of MSO's total basics; A – partial year sales;

Reprinted with permission from Cable TV Advertising, March 5, 1984, Paul Kagan Associates, Inc. Carmel CA.

ership's 15-year history. During both 1982 and 1983, Calvert made Toyota's Triple Crown Club; 1983 was the dealership's most profitable year ever. Westall directly attributes these successes to local cable spots. Indeed, this year he dropped all his radio ads and bought a total of 156, 30-second spots on *MTV* (which replaced *USA*), *ESPN* and *CNN*. "You'd have to be a raving fool not to take advantage of local cable advertising," he says emphatically.

A similarly heartfelt endorsement of local cable comes from Roundup Music in Seattle, Washington. The 98-unit chain attributes its record-breaking album sales — 75,000 Michael Jackson "Thriller" albums sold in a year and a half period — to intensive cable ads aired on *MTV*. During holiday seasons in 1982 and 1983, the music distributor consistently bought 30-second spots on *MTV* via Northwest Cable Interconnect for $120 a spot. Broadcast 30-second spots go for $75-$100 per rating point in that market — or as high as $3,600 for prime time evening shows. Bolstered concurrently by aggressive record play schedules, promoted on *MTV* by CBS, Roundup exceeded its previous record sales high — 42,000 albums ("Saturday Night Fever") sold in a year and a half period in 1977-1978. "Cable is a fertile place for sales," says Cathy Logan, Roundup's ad director, adding, "Cable gave us a noticeable niche in the market and helped create a relationship between the store and the community. It's a definite buy for us," she says. "At least half of our media budget now goes into cable."

Cable tv is offering local merchants in nearly 1,000 local cable systems nationwide what heretofore they never dreamed of — extensive television exposure. "For the local advertiser, cable delivers what even broadcast tv cannot — geographic and psychographic targeting, flexible formats, and eventually even interactivity — all at a substantially lower cost," says Herbert Granath, president of ABC Video Enterprises, which owns 80% of *ESPN*. "There's gold in those wires!"

Yet despite the plethora of success stories and cable tv's indisputable allure, only 10% of the 1,700 cable systems nationwide carry local

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Local cable ads: Simplicity aimed at selling

Ron Kaatz, U.S. Director of Media Concepts, J. Walter Thompson, talks about opportunities on cable for local merchants.

Every week, suburban communities throughout the country move faster and farther into the New Electronic Media Era by awarding cable franchises, wiring up homes and signing up subscribers.

The impact of cable in the suburbs will take place at two levels — among viewers of cable and among advertisers who will use cable as an innovative selling medium.

From the viewers' standpoint in Chicago, instead of choosing from three networks, four independent and one public television station, suburbanites here have a full 52+ channel menu of national news, sports, entertainment, information and education further supplemented by a wide array of community programing and neighborhood events.

From an advertising standpoint, cable in these communities will create television opportunties for suburban merchants who have never been able to afford broadcast stations because of their advertising rates.

A growing number of local cable systems around the country already have developed some very imaginative advertising for businesses in their communities. To name just a few:

- In Naples, Florida, Palmer Cablevision created local advertiser-related programs that included a garden shop, a home exchange, a money show and a boating feature.
- Albuquerque Cablevision couples local commercials and coupons with advertising inserts in their monthly subscriber billing statement. In other markets, cable operators similarly find it is quite effective to offer local clients a package combining cable spots with cable guide ads and bill stuffers and local newspaper space.
- In Grand Rapids, Michigan, Computerland sponsored a 28-minute "infomerical" produced by Apple Computer. It was promoted via newspaper ads and took advantage of cable's potential to provide a detailed picture of a product.
- In Louisville, a cable system carried a real estate listing and home improvement channel. During the day, there were 10-second clips with audio of homes for sale, plus longer messages for apartment and condominium complexes. In the evening, these listings were intermingled with home care programing.

Marc Pokempner

Kaatz: the potential for local advertising is limited only by the imagination.

A successful seller of cable advertising in this area is Lakes Cablevision, serving 11,500 homes in McHenry and Lake Counties.

Stores and services can run local spots on the major cable satellite networks or advertise on a wide array of local programing including high school sports, band concerts, plays and local news and interviews.

Lakes Cablevision — like other innovative cable systems — talks to local advertisers about how cable will give them the same sight, sound and motion generally affordable only to the large stores and services in Chicago.

In many cases, local newspapers and cable systems are joining forces for "creative selling." One such imaginative company is Leader Tele-Cable, which publishes the *Eau Claire* (Wisconsin) *Leader Telegram*. Not only do they publish an electronic version of this 34,000 circulation daily — but they also developed a classified ad channel which offered a full color picture of an item for sale, along with the price and seller's phone number. It complemented the newspaper . . . but in an entirely different advertising form.

The overriding characteristic of all cable advertising is "simplicity."

It is not television advertising as you know it when you see a 30-second commercial on WBBM's 10 p.m. news, on *Good Morning America* or on *60 Minutes*.

It is a blend of suburban papers, talk radio, and video.

It is simple, inexpensive, and it is the kind of advertising that is designed to win sales . . . not creative awards.

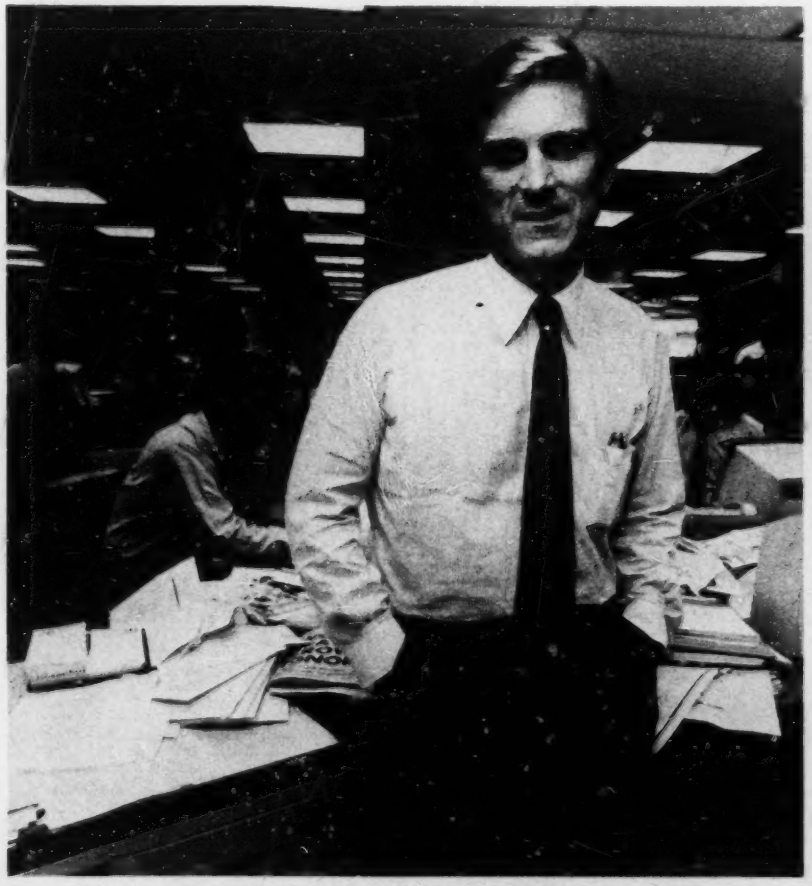
The promise of cable to suburban advertisers is that it will open up the medium of television to them in a new affordable manner. The ideas are limitless — and in fact are limited only by the advertiser's imagination.

Daily News tries to find its way

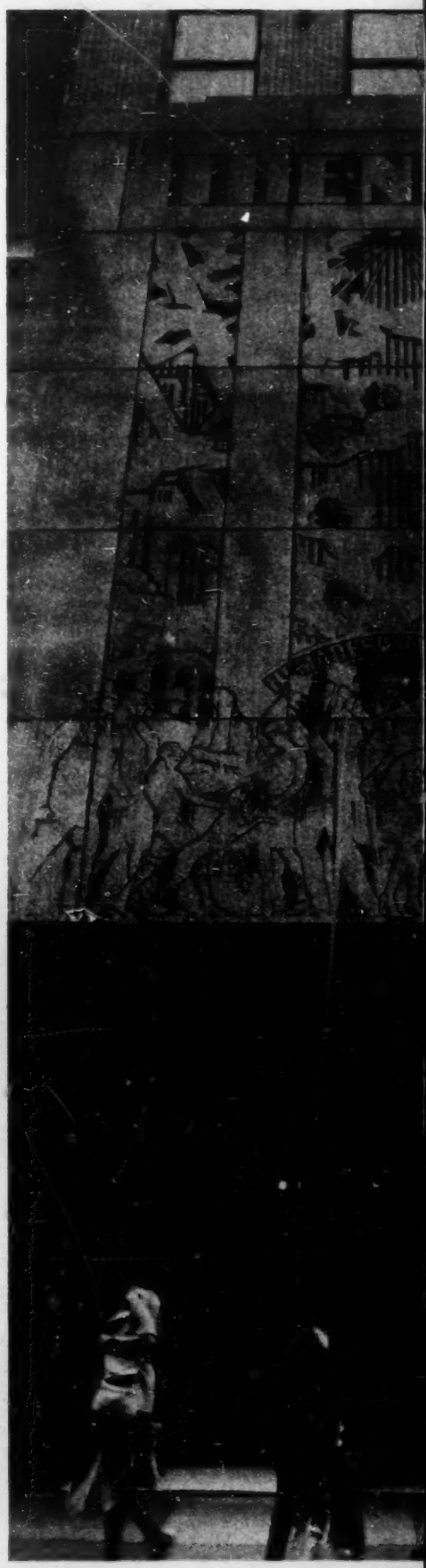
The *News* doesn't have it easy. But the paper's owner, Chicago's Tribune Co., has installed a new publisher to weave through their challenges.

The New York *Daily News*, once the country's largest paper, and now lodged in the second slot, has gone through some harrowing times of late. Now it is trying hard to get a fix on its future. New publisher, James F. Hoge, Jr., on the job just seven months, has busied himself finding new top management who can help him infuse fresh spirit to the tabloid. However, at least from what he has been saying publicly, Hoge has yet to set out a definitive charter for the 65-year-old *News*.

This may not be too surprising since Hoge has inherited many hard-to-solve problems. "The *News*' situation could be compared with Custer in the Battle of the Little Big Horn," likens John Morton, a newspaper analyst with Lynch, Jones and Ryan. Over the last



News publisher, James Hoge, is seen as the struggling paper's saviour.



five years, the paper's circulation has eroded by nearly 250,000 to 1.4 million, while advertising growth has stagnated. Much of this has occurred because its market has become polarized.

On the one hand, the upscale New York *Times* has cleverly — and successfully — brought out daily special sections covering sports, entertainment, the home, computers and science to sop up readers (especially those who have fled to the suburbs) and advertisers angling to reach this desirable consumer group. On the other hand, the Rupert Murdoch-driven New York *Post* seems intent upon stealing the *News*' lower–middle, to middle class audience, at any cost. Buttressed by its owner's well-padded wallet, the *Post* shrugs off losses running about $10 million a year, and has sharply increased its circulation by dramatizing stories to the extent of sensationalism. Meanwhile, a ring of suburban newspapers have snared an ever-widening circle of readers and ad dollars.

These precarious circumstances have sapped the *News*' editorial vitality, as have its onerous labor contracts. Indeed, the parent company, the Chicago Tribune Co. became so dismayed with its offspring three years ago, that it put it up for sale. But with losses of $12.6 million in 1981, and a projected debit of an additional $30 million in 1982, no acceptable takers could be found. So thwarted, the Tribune Co. began making intensive efforts to turn its ailing property around.

Its most significant step, so far, has been in installing the cool and polished Hoge at the helm. "It will take a genius to jump the hurdles the *News* needs to and they certainly have one," praises Thurman Pierce, vice president, U.S. manager, print media at J. Walter Thompson.

A 48-year-old Robert Redford lookalike, Hoge has long been considered one of journalism's brightest rising stars. He became editor of the Chicago *Sun Times* at the age of 32, and 12 years later was appointed its publisher.

At the *Sun Times*, Hoge was em-

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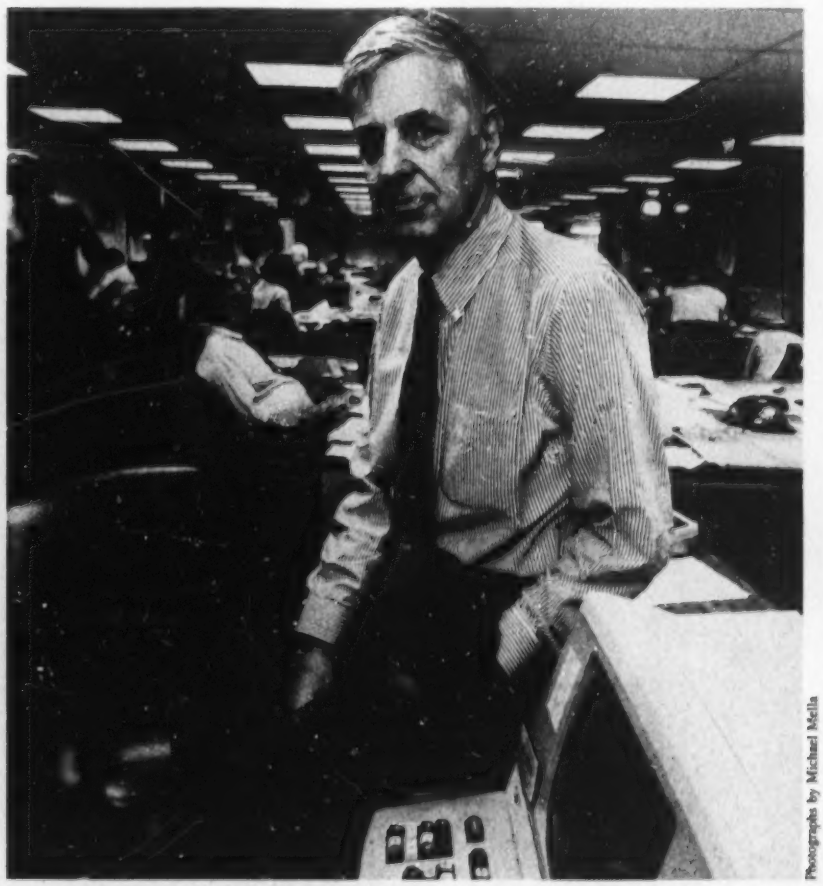

Photographs by Michael Mella

New editor, F. Gilman Spencer, would like a spicier and sportier News.

advertising. The reason, say most local cable operators, is not a lack of interest. Rather, many operators are still concentrating on building subscriber levels and are focusing most heavily on marketing basic services. Others point to the lack of viewership research on the local level, which, they claim, deters advertisers and agency investment. Additionally, many system operators cannot afford the initial expense of setting up a local ad department, which could run $50,000-$100,000 for top-of-the-line ARVIS ad insertion equipment. Still others acknowledge their lack of management skills in selling ads. "Local advertising requires a different technology, creates a different set of operating problems, and requires a different mindset," points out Charles Kadlec, president of Frazier Gross and Kadlec, Washington D.C.-based broadcast/cable consultants.

Industry analysts, cable operators, and local advertisers agree that learning cable advertising does take effort. But cable's benefits far outweigh start-up exigencies, they claim. "As in any business, success in advertising requires investment," says ABC's Granath. "Automatic ad insertion equipment and local origination facilities must be viewed in terms of their return, not just their price. The cable operator who fails to make the investment today is sitting on a gold mine without a shovel."

Within the last year, MSOs, local system operators, and local merchants have begun digging into that reserve. "As the industry matures, emphasis is turning to local advertising as a primary source of revenue," says Bob Alter, president of the Cable Advertising Bureau. "That 10% figure as a measurement of local cable ad penetration is misleading," he warns. Ten percent of cable systems actually represents a 45% reach of the cable universe, he notes. "That figure will climb as MSOs make major commitments to develop local advertising. It's their intention to have local ads sales compensate for a slackening in pay subscribership," contends Alter.

Certainly the percentage of cable households reached by local advertising has risen enormously over the past few years. The figures show an increase of 67% in just two years, up from 35% in 1982, to 41% last year, with a projected 50%-plus reach by year-end when local cable advertising should generate $80 million in revenue. That revenue figure represents a 57% increase from last year's $50.4 million. Local advertising is expected to continue to grow 50%-60% per year

"The biggest problem local ad sales departments face is establishing early-on a professional advertising image."

ROGER TURNER
president
Colony Communications

for the next three to four years. By 1994, local sales could generate $1.3 billion in revenues, claim Paul Kagan Associate analysts.

CAB's Alter concurs. "The trend is away from satellite networks as the main buy," he says. "Local origination and local avails are proving more attractive to local retailers and that interest is precipitating what will be a highly profitable trend." Kagan analysts calculate that if a cable operator sold just 10% of the 470,000, 30-second spots available on satellite-delivered programs each year at only $10 a shot, nearly half a million dollars worth of revenues would be added to the systems' coffers. Boost that figure up to $50 a spot and 40% of inventory sold, and a system might gross nearly $10 million annually.

The movement is afoot to entice more local cable advertisers. At *ESPN* local avails were recently increased to a standard four 30-second spots per hour during prime time from three 30-second offerings. *CBN* has added 20 minutes of local avails to their weekly schedule. In total, industry-wide local avails have grown by 50,000 spots within the past two years. "There's plenty of room for the little guy — the local advertiser," observes Granath.

As advertisers take advantage of these avails, MSOs have begun reaping dollar benefits. Local ad sales departments are actually boosting MSO profit margins, in some cases as high as 67% upwards. Thirty-nine top MSOs averaged $4.31 per subscriber last year and are anticipating $5.50 by year-end. For Group W and Colony Communications, selling local avails yields an average 40% profit margin. "The cable ad business is at the local level," states Thom McKinney, Group W executive vice president of sales. "The advantage of local is low cost targeting of local demographics," he claims. Citing a 258% growth over last year in local ad sales, McKinney says 95-99% of Group W's ad sales is now at the local level. "National accounts are gravy," says McKinney, noting that in some of group W systems, local profit margins surpass 60%. The MSO could reach $10 million in ad sub revenue this year — an annual sub rate of $10.

Group W promotes its local ad avails through print in business-related magazines attractive to retailers, and through direct mail, obtaining lists of merchants from Chambers of Commerce and Better Business Bureaus. The MSO also cross-promotes on its other channels, advertises in cable program guides and in billing statement enclosures.

For Colony Communications, local ad margins are at minimum 40%. The MSO began selling local ads in 1981 and quickly reaped $85,000 in revenues. In 1982, backed by a corporate commitment to local advertising, that figure soared to $1 million, then up to $2 million in 1983, and is expected to reach $4 million this year, according

to Donald Olson, executive director of ad sales for Colony. "Ad sales are a totally separate department and are not responsible to marketing. There's a corporate dedication to building local ad sales which is evident in the dollar return." Colony's chairman, Jack Clifford, describes local avails as a "smorgasbord of opportunities" for the local operator and advertisers.

Local cable operators who are thriving on the ad business concur that, once tried, the medium sells itself. "I'm preaching the gospel according to cable to our local businesses, but once they try cable its credibility is established," comments Buddy Ellis, sales director of Continental Cablevision in Richmond, VA. Ellis's sales are up 125% this year, to $600,000 and only 20% of that is constructed from national and regional advertisers. "We don't know where the heck it's going — there's no limit," declares Ellis.

Continental promoted local ad availability through its sales force which approaches local agencies and clients directly. The buys are generally in bulk, ROS (run of systems), following radio's "TAP," total audience participation. The system places ads from 4 p.m. to midnight using manual insertion, but when automatic equipment arrives this fall scheduling will accommodate 24 hours. Ellis's greatest success has been with packaging — aligning clients with special cable events. For instance, he teams NCAA football on *ESPN* with a local beer distributor, and ads for women's health care products or local salons with *Daytime* shows. "When you put together the advertiser's buy and suggest certain sports to reach a given audience, the sale becomes easier," tells Ellis. "And when you break down the cost over a period of time as a monthly expenditure rather than as an up-front total, the incentive to advertisers becomes even greater."

Greater Boston Cable in Woburn, MA, doubled its local ad revenue in two years, from $350,000 to over $600,000 this year by actively promoting local avails. Cross promoting through its own channels, the interconnect runs a series of spots called "The Winner," which discusses local cable advertising. "The series' objective is to develop an awareness that cable is a creative alternative to target local ad dollars," says Sue Schmalzbach, system broadcast manager.

In Wakefield, the Oldsmobile Mazda Isuzu dealer staged a 10-hour fundraising marathon with the help of Colony for the families of the servicemen who died in Lebanon and Grenada. The show, which raised over $15,000, had more than a monetary impact, says Schmalzenbach. "People feel good about doing business with a company that wants to serve the community. The benefits to the dealership have been long lasting."

Herbert Granath, pres. ABC *Video Enterprises, "For the local advertiser, cable delivers what even broadcast tv cannot."*

The creative opportunities offered to local advertisers through the use of infomercials will be broadened to encompass national scope when the Cableshop debuts on satellite, come January 1. Cableshop, the first all-commercial channel, will be offering local affiliates 18 minutes of avails per hour, enough for four, two-minute local commercials, says Garth Hallberg, Cableshop's general manager. "Consumers like advertising particularly on the local level because local stores have immediate relevancy," he notes. "While a thirty-second spot may be enough time to drive home the uniqueness of a new shampoo, it may not do justice to a local merchant who wants to get more intimate with his community." Hallberg hopes to sign 10-12 national advertisers at start-up for initial ad rates of $30,000 a month for four-minute spots guaranteed to run 150 times. It will be up to the local operator to set his system's local insert pricing schedule.

Nevertheless, despite the influx of local ad dollars, the lack of viewership research on the local level is nipping in the bud many local sales efforts. Surer of national and regional markets, most of the major ad agencies are hedging the local arena. Some agencies rely on local market information from reps such as CNI or New England Cable Rep, but reps' priorities are generally national and regional sales.

"When we buy local, it's on a wing and a prayer," claims Laura Silton, senior vice president and general manager of investment services for McCann-Erickson. "It's like buying an unsurveyed radio market," she adds. Silton acknowledges that agencies want more concrete data before putting client money down. She is also critical of the management of many local cable ad sales departments. "Many times we want to buy local cable but we can't get hold of the right person in the system," she complains. "Many cable operators just don't seem particularly interested." Silton relies on Nielsen's CODE, the SRDS for cable, to delineate local systems by location and contact person.

Nielsen research on the local level is limited to proprietary surveys for specific systems on a per regional basis. "It's difficult to determine local cable viewership, except in attitudinal studies with special diaries," concedes Howard Shimmel, marketing manager for cable research at Nielsen. "Telephone coincidentals apppear to be somewhat accurate but that is not a cheap way to get information. It's a crap shoot as to which information will turn out to be profitable to the local operators," he adds. One operator who did benefit from a Nielsen-commissioned study paid $2,000 for the telephone coincidental research and got back $100,000 in additional business.

One of the few MSOs committed to intensive research, Warner Amex Cable Communications relies on its QUBE service in local markets to accrue accurate viewership data. QUBE,